



**STATE BOARD OF EQUALIZATION  
STAFF LEGISLATIVE BILL ANALYSIS**

**DRAFT**

Date Amended:	<b>03/03/05</b>	Bill No:	<b>AB 18</b>
Tax:	<b>Property</b>	Author:	<b>La Malfa</b>
Related Bills:	<b>AB 164 (Nava)</b>		

**BILL SUMMARY**

**This analysis is limited to the homeowners' exemption portion of this bill.**

This bill would, in part, allow persons whose homes were damaged or destroyed in the Shasta County wildfires of August 2004 to retain the homeowners' exemption while they are in the process of rebuilding.

**Summary of Amendments**

The March 3 amendment corrects an error referencing the date of the wildfire in subdivision (g) of Section 218 from August to 2005 to August 2004.

**ANALYSIS**

**Current Law**

Article XIII, Section 3(k) of the California Constitution exempts from the property tax the first \$7,000 of the full value of a dwelling, as defined by the Legislature, when occupied by an owner as his principal residence. This exemption is commonly referred to as the "homeowners' exemption."

Section 218 of the Revenue and Taxation Code details the qualifications for the homeowners' exemption authorized by the constitution. Eligibility is generally continuous once granted. However, if a property is no longer owner-occupied or becomes vacant or is under construction on the lien date (January 1), the property is not eligible for the exemption for the upcoming tax year.

Relevant to this bill, homes that are totally destroyed on January 1, 2005 are not eligible for the homeowners' exemption for the 2005-06 fiscal year.

**Proposed Law**

This bill would, in part, amend Section 218 of the Revenue and Taxation Code to provide that dwellings qualified for the homeowners' exemption prior to August 11, 2004 and that were damaged or destroyed by the wildfires and any other related casualty that occurred in Shasta County in the Governor-declared disaster of August 2004 will not be disqualified as a "dwelling" or be denied the homeowners' exemption solely on the basis that the dwelling was temporarily damaged or destroyed or was being reconstructed by the owner.

---

*This staff analysis is provided to address various administrative, cost, revenue and policy issues; it is not to be construed to reflect or suggest the Board's formal position.*

### Background

In prior disasters, legislation has been enacted to extend the homeowners' exemption to temporarily damaged or destroyed homes.

Disaster	Year	Legislation
San Joaquin levee break	2004	Stats. 2004, Ch. 792 (SB 1147)
San Simeon earthquake	2003	Stats. 2004, Ch. 792 (SB 1147)
Southern California wildfires	2003	Stats. 2004, Ch. 792 (SB 1147)
Oakland/Berkeley Hills fire	1992	Stats. 1992, Ch. 1180 (SB 1639)
Los Angeles civil riots	1991	Stats. 1992, Ch. 17X (AB 38 X)

### COMMENTS

1. **Sponsor and Purpose.** The author is sponsoring this measure to provide some financial relief to persons whose homes were damaged or destroyed in the wildfires.
2. **Amendments.** The March 3 amendment corrects a typographical error referencing the date of the wildfire in subdivision (g) of Section 218 from August to 2005 to August 2004.
3. **This bill would allow homeowners whose residences were damaged or destroyed as a result of the wildfires to retain the exemption on their property while they are in the process of rebuilding their homes.** Homes that are uninhabitable on the lien date (January 1, 2005) are technically ineligible for the exemption for the upcoming fiscal year under current law. Last year legislation was introduced to extend the homeowners' exemption to homes destroyed in the Southern California fires where thousands of homes were totally destroyed in October and November of 2004 and could not have been rebuilt and occupied by January 1, 2005. This bill was later amended to include two other governor-declared disasters.
4. **Homeowners' Exemption – Disaster Impact.** The Board staff has opined that a temporary absence from a dwelling because of a natural disaster, such as a flood or fire, will not result in the loss of the homeowners' exemption for those properties temporarily vacated for repairs. (See Letter To Assessors 82/50, Question G16) However, when a dwelling has been totally destroyed, staff has opined that because no dwelling exists there is no occupancy or possibility of occupancy on the lien date and the property would not be eligible for the exemption even if the property was under construction. (See Property Tax Annotation 505.0019 "Homeowners' Exemption – Disaster Impact") Referenced documents available at [www.boe.ca.gov](http://www.boe.ca.gov) select "Property Taxes."
5. **Double-Joining Provisions Needed.** AB 164 (Nava) also amends Section 218 to make similar provisions for the severe rainstorms and mudslides that occurred in Southern California in January 2005. Double joining language is needed to prevent chaptering out problems in the event both bills are enacted. It may be preferable to

---

*This staff analysis is provided to address various administrative, cost, revenue and policy issues; it is not to be construed to reflect or suggest the Board's formal position.*

place these date specific situations in a separate section of code rather than complicating Revenue and Taxation Code Section 218, which is the basic section of law that relates to the homeowners' exemption.

### **COST ESTIMATE**

With respect to administration, the Board would incur insignificant costs in informing and advising local county assessors, the public, and staff of the law changes. These costs are estimated to be under \$10,000.

### **REVENUE ESTIMATE**

***The revenue estimate is limited to the homeowners' exemption portion of the bill.***

#### **Background, Methodology, and Assumptions**

Existing property tax law provides for a homeowners' property tax exemption in the amount of \$7,000 of the full value of a "dwelling," as defined. This bill would provide that any dwelling that qualified for the exemption prior to August 11, 2004 that was damaged or destroyed as a result of the wildfires may not be denied the exemption solely on the basis that the dwelling was temporarily damaged or destroyed or was being reconstructed by the owner.

Based on information from the Office of Emergency Services, 111 homes were totally destroyed as a result of the fires of August 2004 in Shasta County. According to the Shasta County Assessor's Office, 49 of these homes were owner-occupied principal places of residences eligible for the homeowners' exemption. If all of these homes were not rebuilt and occupied by the following lien date of January 1, 2005, then the revenue loss for the 2005-06 fiscal year would be approximately \$3,800. (49 homes destroyed @ \$7,000 assessed value x 1.102 % tax rate)

#### **Revenue Summary**

The local jurisdictions are reimbursed by the state for their losses due to the homeowners' exemption (HOX). This bill would require the state to continue to subvene these amounts. Based on the calculations above, we estimate the revenue impact to be about \$3,800 annually in 2005-06. The impact will decrease over time as these homes are rebuilt and the owners are once again eligible for the homeowners' exemption under existing law.

Analysis prepared by:	Rose Marie Kinnee	916-445-6777	05/13/05
Contact:	Margaret S. Shedd	916-322-2376	
mcc			0018-2rk.doc

---

***This staff analysis is provided to address various administrative, cost, revenue and policy issues; it is not to be construed to reflect or suggest the Board's formal position.***